



**CHARTER TOWNSHIP OF CALUMET, MICHIGAN  
HOUGHTON COUNTY**

**FINANCIAL REPORT  
Year ended December 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Calumet</b>	County <b>Houghton</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>6/30/05</b>	Date Accountant Report Submitted to State: <b>7/25/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Paul R. Sturos, CPA**

Street Address

**56901 S. Sixth St., Ste. 8**

City

**Calumet**

State

**MI**

ZIP

**49913**

Accountant Signature

*Paul R. Sturos*

Date

**7/25/05**

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditor's Report</b>	3
<b>Management's Discussion and Analysis</b>	5
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Statement of Revenue, Expenditures, and Changes in Fund Balance	15
Proprietary Fund:	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19
Fiduciary Fund – Statement of Net Assets	20
Notes to Financial Statements	21
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	33
<b>Other Supplementary Information</b>	
Combining Balance Sheet – Non-Major Governmental Funds	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	35
<b>Federal Programs:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Summary Schedule of Prior Audit Findings	38
Schedule of Findings and Reponses	39

**PAUL R. STUROS**

**Certified Public Accountant**

56901 S. Sixth Street, Suite 8  
Calumet, MI 49913

Tel. (906) 337-4727 ~ Fax (906) 337-4725

E-mail: [psturos@sbcglobal.net](mailto:psturos@sbcglobal.net)

---

**INDEPENDENT AUDITOR'S REPORT**

**Board Members**

Charter Township of Calumet, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2005 on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Calumet, Michigan's, basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Paul R. Sturos, CPA  
Calumet, Michigan  
June 30, 2005

## CHARTER TOWNSHIP OF CALUMET

25880 Red Jacket Road  
Calumet, MI 49913

---

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Calumet's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Township's financial statements that follow.

#### USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report. The Charter Township of Calumet is in its second year of the provisions of GASB 34.

#### Report Components

This annual report consists of five parts as follows:

*Government-wide Financial Statements:* The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

*Fund Financial Statements:* Fund financial statements focus on the individual parts of the Township government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Township operates like businesses, such as the sewage service. For *fiduciary activities* these statements account for assets held by the Township as an agent or trustee for others and includes the Property Tax Collection Fund.

*Notes to Financial Statements:* The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

*Required Supplementary Information:* This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the "basic financial statements" which include the government-wide statements, fund financial statements, and notes to the financial statements.

*Other Supplementary Information:* This part of the annual report includes optional financial information such as combining statements for non-major funds, which are added together and shown in the fund financial statements in a single column and a federal program section. This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

## **THE TOWNSHIP AS A WHOLE**

### **The Township's Reporting Entity Presentation**

This annual report includes all activities for which the Township is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

- The Charter Township of Calumet

The component unit presentation includes the following legal entity:

- The Charter Township of Calumet Downtown Development Authority

### **Government -Wide Financial Information**

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities is divided into three kinds of activities:

*Governmental activities* – Most of the Township's basic services are reported here, including the police, fire, general administration, public works and recreation. Property taxes, state statutory aid and state and federal grants finance most of these activities.

*Business-type activities* – The Township charges a fee to customers in the Wolverine-Kearsarge area to help it cover all or most of the cost of sewage services it provides.

*Component unit activities* – Although the Downtown Development Authority is a separate legal entity, the Township includes its activities in its financial statements since the Township is financially accountable for the Authority.

In a condensed format, the table below provides a summary of the Township's *net assets* (in thousands of dollars) as of December 31, 2004 and 2003.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current assets	\$ 523.1	\$ 735.1	\$ 17.7	\$ 16.2	\$ 540.8	\$ 751.3
Noncurrent assets	<u>3,803.7</u>	<u>3,735.7</u>	<u>2,167.0</u>	<u>2,221.9</u>	<u>5,970.7</u>	<u>5,957.6</u>
Total Assets	<u>4,326.8</u>	<u>4,470.8</u>	<u>2,184.7</u>	<u>2,238.1</u>	<u>6,511.5</u>	<u>6,708.9</u>
Current liabilities	169.8	426.7	3.6	4.9	173.4	431.6
Other liabilities	<u>954.3</u>	<u>1,076.4</u>	<u>134.7</u>	<u>137.9</u>	<u>1,089.0</u>	<u>1,214.3</u>
Total Liabilities	<u>1,124.1</u>	<u>1,503.1</u>	<u>138.3</u>	<u>142.8</u>	<u>1,262.4</u>	<u>1,645.9</u>
Net Assets						
Invested in capital						
assets-net of debt	3,272.9	3,181.8	2,033.8	2,086.8	5,306.7	5,268.6
Restricted-debt serv.	9.9	3.8	7.9	7.9	17.8	11.7
Unrestricted(Deficit)	<u>(80.1)</u>	<u>(217.9)</u>	<u>4.7</u>	<u>.6</u>	<u>(75.4)</u>	<u>(217.3)</u>
Total Net Assets	<u>\$ 3,202.7</u>	<u>\$ 2,967.7</u>	<u>\$ 2,046.4</u>	<u>\$ 2,095.3</u>	<u>\$ 5,249.1</u>	<u>\$ 5,063.0</u>

The Township's net assets increased from \$5,063,013 to \$5,249,091, a positive increase of \$186,078.

The current level of unrestricted net assets (the part of net assets that can be used to finance day to day operations) for the governmental activities stands at a deficit of \$80,953. The Township has a targeted range for unrestricted net assets of 10% of expenditures which would approximate \$140,000.

The results of operations for the Township as a whole are reported in the *statement of activities*. Comparative data is accumulated and presented to assist analysis. The following shows the change in the net assets (in thousands of dollars) for 2004 and 2003:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Revenues						
Charges for services	\$ 148.3	\$ 126.6	\$ 31.4	\$ 27.0	\$ 179.7	\$ 153.6
Operating grants and contributions	60.8	27.7			60.8	27.7
Capital grants and contributions	630.5	832.1			630.5	832.1
General Revenues						
Property taxes	201.3	132.1			201.3	132.1
State-shared revenues	271.8	290.9			271.8	290.9
Unrestricted investment earnings	3.4	6.2	.1	.3	3.5	6.5
Miscellaneous	9.1	11.9			9.1	11.9



Gain on sale of assets	24.2	22.6			24.2	22.6
Transfers with component unit	4.2	4.2			4.2	4.2
Extraordinary item	<u>37.2</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>37.2</u>	<u>      </u>
Total Revenues	<u>1,390.8</u>	<u>1,454.3</u>	<u>31.5</u>	<u>27.3</u>	<u>1,422.3</u>	<u>1,481.6</u>
Program Expenses						
Legislative	24.3	26.4			24.3	26.4
General Government	179.3	186.2			179.3	186.2
Public Safety	119.7	122.9			119.7	122.9
Public Works	103.2	108.3			103.2	108.3
Recreation	51.5	50.9			51.5	50.9
Community/Historical	541.7	603.8			541.7	603.8
Other	99.4	96.2			99.4	96.2
Interest on long-term debt	36.7	55.6			36.7	55.6
Sewage	<u>      </u>	<u>      </u>	<u>80.4</u>	<u>81.4</u>	<u>80.4</u>	<u>81.4</u>
Total Expenses	<u>1,155.8</u>	<u>1,250.3</u>	<u>80.4</u>	<u>81.4</u>	<u>1,236.2</u>	<u>1,331.7</u>
Changes in Net Assets	<u>\$ 235.0</u>	<u>\$ 204.0</u>	<u>\$ (48.9)</u>	<u>\$ (54.1)</u>	<u>\$ 186.1</u>	<u>\$ 149.9</u>

During the current year the Township's governmental activities realized additional revenues in the area of property taxes by \$62,532 and charges for services (rents) by \$15,659 for operations of the new Calumet Armory Community Building and reduced revenues in the area of state-shared revenues by \$19,093. The extraordinary income item relates to debt forgiveness by the State of Michigan on a grant/loan project for the renaissance zone based on meeting certain job creation requirements. The Township's 2004 expenses are slightly down in most categories when compared to 2003.

The Township's business-type activities consist of the Sewage Fund. The Township provides sewage treatment services to approximately 150 Township residents living in the Wolverine-Kearsarge area. Increased rates effective in January and March of 2004 resulted in an increase in operating income of \$5,299.

## THE TOWNSHIP'S FUNDS

The analysis of the Township's major funds follows the entity-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. During 2004 the Township created the Calumet Armory Community Center Fund (a special revenue fund) to receive property tax revenue for operating and maintaining the new community building (former Armory). This fund along with the General Fund, Housing Grants Fund and Sewage Fund are the Township's major funds for 2004.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and capital outlay activities which incurred expenditures of \$125,569 and

\$148,266, respectively during 2004. The Housing Grants Fund incurred expenditures of \$498,369 related to community building rehabilitation projects.

### General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes were to increase other revenue by \$580,000 for anticipated property donations to the Township of which the majority of this amount was not realized until 2005 and decrease state aid by \$22,400 for reductions in statutory funding. These revenue adjustments resulted mostly in the adjustment to capital asset acquisitions and recreation costs. For the most part, the Township stayed below budgeted amounts.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2004, the Township had \$4.1 million invested in a broad range of capital assets, including land, buildings, mining and other equipment, vehicles and a sewage system. This year's more significant additions included \$78,200 for buildings and \$29,901 for fire equipment all of which were donated to the Township. The table below provides a summary of the Township's capital assets net of accumulated depreciation (in thousands of dollars) as of December 31, 2004 and 2003. Net amounts decreased by .1% overall.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Non-Depreciable Assets:						
Land	\$ 1,244.3	\$ 1,219.8	\$ 19.9	\$ 19.9	\$ 1,264.2	\$ 1,239.7
Depreciable Assets:						
Land improvements	64.1	69.5			64.1	69.5
Buildings	1,030.0	948.1			1,030.0	948.1
Furniture, equipment, and vehicles	1,078.7	1,130.6			1,078.7	1,130.6
Sewage system			2,137.9	2,192.9	2,137.9	2,192.9
Total	<u>\$ 3,417.1</u>	<u>\$ 3,368.0</u>	<u>\$ 2,157.8</u>	<u>\$ 2,212.8</u>	<u>\$ 5,574.9</u>	<u>\$ 5,580.8</u>

#### Long-term Debt

At year end, the Township had \$988,431 in long-term debt outstanding, including component unit debt of \$195,000. Primary government balances as of December 31, 2004 and 2003 are as follows:

	Primary Government					
	Governmental Activities		Business-Type Activities		Totals	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Notes/loans payable	\$ 144,286	\$ 224,407	\$	\$	\$ 144,286	\$ 224,407
Bonds payable	<u>525,145</u>	<u>545,000</u>	<u>124,000</u>	<u>126,000</u>	<u>649,145</u>	<u>671,000</u>
	<u>\$ 669,431</u>	<u>\$ 769,407</u>	<u>\$ 124,000</u>	<u>\$ 126,000</u>	<u>\$ 793,431</u>	<u>\$ 895,407</u>

## FACTORS AFFECTING FUTURE OPERATIONS

For the year 2005, the various governmental and component unit funds have been budgeted fairly consistent with this year.

The Township acquired the Calumet Armory Community Center Building in a trade with the State of Michigan in February 2005. Property tax millage at 1 mill generating approximately \$62,000 along with grants and loans totaling \$200,000 will provide funds necessary to operate and improve the facility.

In order to cover projected operating debt service costs in the future, increases in sewer rates from \$4.14 per 1,000 gallons of billable flow to \$4.35 was approved in 2005 for Wolverine-Kearsarge sewage system customers.

## CONTRACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the clerk's office.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Statement of Net Assets December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 258,731	\$ 8,040	\$ 266,771	\$ 12,888
Receivables, net	218,346	9,676	228,022	47,551
Receivables from other governments	45,984		45,984	
Internal balances	12,700	(12,700)		
Restricted assets	9,912	9,175	19,087	
Loan receivable	350,000		350,000	
Bond issue related costs, net	14,000		14,000	
Capital assets, net	<u>3,417,145</u>	<u>2,157,815</u>	<u>5,574,960</u>	
Total Assets	<u>4,326,818</u>	<u>2,172,006</u>	<u>6,498,824</u>	<u>60,439</u>
<b>LIABILITIES</b>				
Accounts payable	34,811	354	35,165	188
Accrued liabilities	4,501	1,231	5,732	2,816
Due to other governments	34,289		34,289	
Deferred revenues	31,116		31,116	
Noncurrent liabilities				
Due to other governments	350,000		350,000	
Due within one year	65,083	2,000	67,083	24,000
Due in more than one year	<u>604,348</u>	<u>122,000</u>	<u>726,348</u>	<u>171,000</u>
Total Liabilities	<u>1,124,148</u>	<u>125,585</u>	<u>1,249,733</u>	<u>198,004</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,272,859	2,033,815	5,306,674	
Restricted for debt service	5,514	7,944	13,458	3,776
Restricted for comm./hist. projects	9,912		9,912	
Unrestricted	<u>(85,615)</u>	<u>4,662</u>	<u>(80,953)</u>	<u>(141,341)</u>
Total Net Assets	<u>\$ 3,202,670</u>	<u>\$ 2,046,421</u>	<u>\$ 5,249,091</u>	<u>\$ (137,565)</u>

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Statement of Activities Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue & Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
Legislative	\$ 24,256	\$	\$	\$	\$ (24,256)	\$	\$ (24,256)	\$
General Government	179,349	16,589	2,454	14,600	(145,706)		(145,706)	
Public Safety	119,675	2,337	10,568	29,901	(76,869)		(76,869)	
Public Works	103,237	87,488			(15,749)		(15,749)	
Recreation	51,546	40,886	25		(10,635)		(10,635)	
Community/Historical	541,669	1,000	47,704	585,991	93,026		93,026	
Other	99,372				(99,372)		(99,372)	
Interest on Long-term Debt	36,733				(36,733)		(36,733)	
Total Governmental Activities	1,155,837	148,300	60,751	630,492	(316,294)		(316,294)	
Business-Type Activities								
Sewage	80,335	31,363				(48,972)	(48,972)	
Total Primary Government	<u>\$ 1,236,172</u>	<u>\$ 179,663</u>	<u>\$ 60,751</u>	<u>\$ 630,492</u>	<u>(316,294)</u>	<u>(48,972)</u>	<u>(365,266)</u>	
<b>Component Unit</b>								
Downtown Dev. Authority	<u>\$ 20,949</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>				<u>(20,949)</u>
<b>General Revenue</b>								
Property taxes					201,258		201,258	48,129
State-shared revenue					271,809		271,809	
Unrestricted investment earnings					3,415	129	3,544	160
Miscellaneous					9,104		9,104	
Gain on sale of assets					24,209		24,209	
Transfers with component unit					<u>4,200</u>		<u>4,200</u>	<u>(4,200)</u>
Total General Revenues					<u>513,995</u>	<u>129</u>	<u>514,124</u>	<u>44,089</u>
<b>Extraordinary item</b>					<u>37,220</u>		<u>37,220</u>	
<b>Changes in Net Assets</b>					234,921	(48,843)	186,078	23,140
Net Assets - Beginning					<u>2,967,749</u>	<u>2,095,264</u>	<u>5,063,013</u>	<u>(160,705)</u>
<b>Net Assets - Ending</b>					<u>\$ 3,202,670</u>	<u>\$ 2,046,421</u>	<u>\$ 5,249,091</u>	<u>\$ (137,565)</u>

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Governmental Funds Balance Sheet December 31, 2004

	General Fund	Cal. Armory Comm. Center Fund	Housing Grants Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 72,703	\$ 5,734	\$ 38,987	\$ 141,307	\$ 258,731
Receivables (net):					
Taxes	77,428	51,676		44,994	174,098
Accounts	6,705	14,199		23,344	44,248
Due from state government	45,969				45,969
Due from federal government			15		15
Due from other funds	195				195
Restricted assets – cash	9,912				9,912
Advances to other funds	12,700				12,700
Loan receivable	<u>350,000</u>				<u>350,000</u>
 Total Assets	 <u>\$ 575,612</u>	 <u>\$ 71,609</u>	 <u>\$ 39,002</u>	 <u>\$ 209,645</u>	 <u>\$ 895,868</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 9,343	\$ 12,862	\$ 10,020	\$ 2,586	\$ 34,811
Accrued expenses	75				75
Due to other funds			195		195
Due to other governments	384,289				384,289
Deferred revenues	<u>86,422</u>	<u>62,532</u>	<u>28,787</u>	<u>48,481</u>	<u>226,222</u>
 Total Liabilities	 <u>480,129</u>	 <u>75,394</u>	 <u>39,002</u>	 <u>51,067</u>	 <u>645,592</u>
<b>FUND BALANCES</b>					
Reserve for advances	12,700				12,700
Reserve for historic/community projects	9,912				9,912
Reserve for debt service				5,514	5,514
Unreserved	<u>72,871</u>	<u>(3,785)</u>		<u>153,064</u>	<u>222,150</u>
 Total Fund Balances	 <u>95,483</u>	 <u>(3,785)</u>		 <u>158,578</u>	 250,276
 Total Liabilities & Fund Balances	 <u>\$ 575,612</u>	 <u>\$ 71,609</u>	 <u>\$ 39,002</u>	 <u>\$ 209,645</u>	

### Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

(Continued)

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Governmental Funds Balance Sheet December 31, 2004

	<u>General Fund</u>	<u>Cal. Armory Comm. Center Fund</u>	<u>Housing Grants Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cost of capital assets					4,141,882
Accumulated depreciation					(724,737)
Taxes receivable not available to pay for current expenditures					195,106
Long-term liabilities are not due and payable in the current period and are not reported in the funds					(711,786)
Accrued interest payable is not included as a liability in governmental activities					(4,426)
Bond related costs reported as an expenditure in the governmental fund financial statements are capitalized in the government-wide financial statements					14,000
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements					42,355
<b>Net Assets of Governmental Activities</b>					<u><u>\$ 3,202,670</u></u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**  
**Governmental Funds Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2004**

	General Fund	Cal. Armory Comm. Center Fund	Housing Grants Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 92,310	\$	\$	\$ 41,764	\$ 134,074
Licenses and permits	1,104				1,104
Federal aid	3,250		130,015		133,265
State aid	272,948		281,993		554,941
Charges for services	44,109			77,809	121,918
Interest and rents	13,568	13,199		1,926	28,693
Other	175,043		124,068	22,839	321,950
<b>Total Revenues</b>	<u>602,332</u>	<u>13,199</u>	<u>536,076</u>	<u>144,338</u>	<u>1,295,945</u>
<b>Expenditures</b>					
Legislative	24,256				24,256
General government	125,569	26	37,707	12,320	175,622
Public safety	72,918			800	73,718
Public works	90,523				90,523
Recreation	26,609				26,609
Community/Historical	11,627	637	498,369	5,118	515,751
Other	99,372				99,372
Capital outlay	148,266	27,908			176,174
Debt service	18,013			107,642	125,655
<b>Total Expenditures</b>	<u>617,153</u>	<u>28,571</u>	<u>536,076</u>	<u>125,880</u>	<u>1,307,680</u>
Excess of Revenues over (under) Expenditures	<u>(14,821)</u>	<u>(15,372)</u>		<u>18,458</u>	<u>(11,735)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	4,200	11,587			15,787
Operating transfers out	(11,587)				(11,587)
Proceeds – refunding bonds				610,000	610,000
Current bond refunding				(590,000)	(590,000)
Current bond refunding interest				(1,097)	(1,097)
Bond premium and issue costs				(14,886)	(14,886)
<b>Total Other Financing Sources (Uses)</b>	<u>(7,387)</u>	<u>11,587</u>		<u>4,017</u>	<u>8,217</u>
<b>Net Change in Fund Balances</b>	<u>(22,208)</u>	<u>(3,785)</u>		<u>22,475</u>	<u>(3,518)</u>
<b>Fund Balance – Beginning</b>	<u>117,691</u>			<u>136,103</u>	
<b>Fund Balance – Ending</b>	<u>\$ 95,483</u>	<u>\$ (3,785)</u>	<u>\$</u>	<u>\$ 158,578</u>	

(Continued)



**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**  
**Governmental Funds Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2004**

	<u>General Fund</u>	<u>Cal. Armory Comm. Center Fund</u>	<u>Housing Grants Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Reconciliation to the Statement of Activities:</b>					
Amounts reported for governmental activities in the statement of activities are different because:					
Governmental funds report capital outlay as expenditures, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:					
Capital outlay					176,174
Depreciation expense					(113,253)
Property tax revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds					67,184
Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid					8,149
Repayment of principal debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)					85,401
The governmental fund financial statements reflect a deferred refunding amount and bond issue costs as an expenditure. The government-wide financial statements present the unamortized amount of bond issuance cost as an asset net of amortization. The government-wide financial statement presents the unamortized deferred refunding amount net of long-term debt. This amount represents the current year amortization of these long-term debt related costs.					(4,628)
An amount paid by the District for debt issuance cost was refunded. This amount is reported as an increase in fund balance in the governmental fund financial statements, whereas in the government-wide financial statements this amount is reported as a reduction in capitalized debt issuance cost.					(4,017)
In the statement of activities, the gain on the sale of capital assets is recognized. The fund financial statements recognize only the proceeds from these assets:					
Gain on sale of assets					24,209
Proceeds from sale of assets					(38,000)
Extraordinary item related to debt forgiveness is recognized as income in the government-wide financial statements and not in the governmental fund financial statements					37,220
<b>Changes in Net Assets of Governmental Activities</b>					<u><u>\$ 234,921</u></u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**Proprietary Fund Statement of Net Assets  
December 31, 2004**

	<u>Sewage Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 8,040
Receivables, net	<u>9,676</u>
Total Current Assets	<u>17,716</u>
Noncurrent Assets	
Restricted cash	9,175
Capital assets, net of accumulated depreciation	<u>2,157,815</u>
Total Noncurrent Assets	<u>2,166,990</u>
Total Assets	<u>2,184,706</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	354
Accrued liabilities	1,231
Current portion of noncurrent liabilities	<u>2,000</u>
Total Current Liabilities	<u>3,585</u>
Noncurrent Liabilities	
Advances to other funds	12,700
Bonds payable	<u>122,000</u>
Total Noncurrent Liabilities	<u>134,700</u>
Total Liabilities	<u>138,285</u>
<b>NET ASSETS</b>	
Restricted for debt service	7,944
Invested in capital assets, net of related debt	2,033,815
Unrestricted	<u>4,662</u>
Total Net Assets	<u>\$ 2,046,421</u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets  
Year Ended December 31, 2004**

---

	<u>Sewage Fund</u>
<b>Operating Revenues</b>	
Sewage fees	\$ 31,363
<b>Operating Expenses</b>	
Administration	1,477
Personal services	4,716
Utilities	2,816
Repairs and maintenance	9,006
Depreciation	<u>54,937</u>
Total Operating Expenses	<u>72,952</u>
Operating Income (Loss)	<u>(41,589)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest revenue	129
Interest expense	<u>(7,383)</u>
Total Nonoperating Revenue (Expense)	<u>(7,254)</u>
<b>Changes in Net Assets</b>	(48,843)
Net Assets, Beginning	<u>2,095,264</u>
<b>Net Assets, Ending</b>	<u>\$ 2,046,421</u> =====

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Proprietary Fund Statement of Cash Flows Year Ended December 31, 2004

	<u>Sewage Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 28,594
Payments to suppliers/vendors	(14,472)
Payments to employees	<u>(4,842)</u>
Net Cash Provided by Operating Activities	9,280
<b>Cash Flows from Non-Capital Related Financing Activities</b>	
Payments on advance from the General Fund	(1,200)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal and interest paid on capital debt	(9,403)
<b>Cash Flows from Investing Activities</b>	
Interest	<u>149</u>
Net Increase (Decrease) in Cash	(1,174)
Balance – Beginning of the Year	<u>18,389</u>
<b>Balance – End of the Year</b>	<u><u>\$ 17,215</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (41,589)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	54,937
Change in Assets and Liabilities	
Receivables, net	(2,750)
Accounts payable	(1,173)
Accrued expenses	<u>(145)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 9,280</u></u>

The accompanying notes are an integral part of the financial statements

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**Fiduciary Fund Statement of Net Assets  
December 31, 2004**

---

	Agency Fund Type (Property Tax Collection Fund)
<b>ASSETS</b>	
Cash	\$ 204,527 =====
<b>LIABILITIES</b>	
Due to other governmental units & taxpayers	\$ 204,527 =====

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Notes to Financial Statements

December 31, 2004

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For business-type activities and enterprise funds, the Township has elected to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

#### A. Reporting Entity

The Township was organized as a General Law Township on the 27<sup>th</sup> day of November, 1866, and has since been incorporated into a Charter Township, effective July 15, 1985. The Township covers an area of approximately 31 square miles and operates under an elected Board of Trustees consisting of seven members, which are a supervisor, clerk, treasurer and four trustees. The Township provides various services to many of its residents including law enforcement, fire protection, recreation and community enrichment.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see the discussion below for a description).

#### Discretely Presented Component Unit

In accordance with provisions of GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established in 1995 by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine

member board appointed by the Township's governing board. In addition, the Authority's budget is subject to approval by the Township Board. The DDA adopted a development and tax increment financing plan in 1996 to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvement within the DDA District. Additional financial details of the component unit can be obtained from the Township office.

#### Jointly Governed Organization

The Township, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (NHCW&SA) to provide waste water collection, transmission and treatment. The NHCW&SA's board is comprised of seven members, three of which are from the Township. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority.

It is expected that the revenues generated from NHCW&SA system users will be adequate to operate the sewage system and pay back the related construction debt and interest of NHCW&SA. Separately issued financial statements are available from the Authority.

### **B. Basis of Presentation**

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets certain criteria.

The following fund types are used by the Township:

### **Governmental Funds**

#### **General Fund**

The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally and administratively required to be accounted for in other funds.

#### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Township. This fund type includes the Fire Fund, Water Fund, Keweenaw Heritage Center Fund, Calumet Armory Community Center Fund, Grants Fund and the Housing Grants Fund.

### **Proprietary Funds**

#### **Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. This fund type includes the Wolverine-Kearsarge Sewage Fund.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund includes the Property Tax Collection Fund.

The Township reports the following major and non-major funds:



### Major Funds

General Fund  
Special Revenue Funds:  
    Calumet Armory Community Center Fund  
    Housing Grants Fund  
Proprietary Fund:  
    Wolverine-Kearsarge Sewage Fund

### Non-Major Funds

Special Revenue Funds:  
    Fire Fund  
    Water Fund  
    Keweenaw Heritage Center Fund

## **C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In accordance with Charter Township statutes, the Township’s 2004 ad valorem tax is levied and collectible on December 1, 2004; however the revenue from the current tax levy is recognized as revenue in the subsequent year in the governmental funds financial statements.

## **D. Financial Statement Amounts**

### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

### Restricted Assets

The revenue bond covenants require certain amounts to be set aside for debt service principal and interest. Certain other amounts are restricted by third parties. These amounts have been functionally classified as restricted net assets in the Statement of Net Assets.

### Capital Assets

Capital assets include land and improvements, buildings, furniture, equipment and vehicles and a sewage system and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 50 years.

#### Long-Term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### Fund Equity

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### Revenues

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on February 14<sup>th</sup> of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the Township totaled \$63,011,699 on which ad valorem taxes levied consisted of 1.2336 mills for Township operating purposes. Voted millage consisted of 1 mill for the Calumet Armory Community Center for operations maintenance and repairs for the facility. In addition, voters approved 1.2882 mills on taxable valuations of \$38,134,896 for repair, maintenance and replacement of fire department vehicles and equipment.

#### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates,

are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from those estimated.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds, except the Grants and Housing Grants special revenue funds which adopt project-length budgets. The legal level of budgetary control adopted by the governing body is the activity level. Appropriations lapse at year end.

The Township did not adopt a budget for the Calumet Armory Community Center Fund.

Excess of Expenditures over Appropriations in Budgeted Funds – During the year the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Public works	\$ 85,550	\$ 90,523
Community/Historical	11,500	11,627
Transfers out		11,587
Keweenaw Heritage Center Fund		
Community/Historical	4,000	4,618

## Fund Deficit

The Township has accumulated a fund balance deficit in the Calumet Armory Community Center Fund of \$3,785. A deficit elimination plan has not been filed with the State. It is expected that property tax revenue collections in 2005 will eliminate this deficit.

### (3) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash (checking and savings accounts)	\$ 258,731	\$ 8,040	\$ 204,527	\$ 471,298	\$ 12,888
Restricted assets	<u>9,912</u>	<u>9,175</u>	<u>          </u>	<u>19,087</u>	<u>          </u>
Total	<u>\$ 268,643</u>	<u>\$ 17,215</u>	<u>\$ 204,527</u>	<u>\$ 490,385</u>	<u>\$ 12,888</u>

The bank balance of the primary government's deposits is \$510,736, of which \$321,632 is covered by federal depository insurance and \$189,104 is uninsured. The component unit's deposits had a bank balance of \$12,888, all of which is covered by federal depository insurance.

### (4) CAPITAL ASSETS

Capital asset activity of the primary government for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,219,822	\$ 34,115	\$ (9,642)	\$ 1,244,295
Capital Assets Being Depreciated				
Land improvements	106,868			106,868
Buildings	1,129,978	111,158	(2,900)	1,238,236
Office furniture & equipment	39,312			39,312
Equipment & Vehicles	<u>1,491,959</u>	<u>30,901</u>	<u>(9,690)</u>	<u>1,513,170</u>
Subtotal	<u>2,768,117</u>	<u>142,059</u>	<u>(12,590)</u>	<u>2,897,586</u>
Accumulated depreciation for:				
Land improvements	(37,347)	(5,458)		(42,805)
Buildings	(181,890)	(27,062)	689	(208,263)
Office furniture & equipment	(29,272)	(1,894)		(31,166)
Equipment & vehicles	<u>(371,415)</u>	<u>(78,839)</u>	<u>7,752</u>	<u>(442,502)</u>
Subtotal	<u>(619,924)</u>	<u>(113,253)</u>	<u>8,441</u>	<u>(724,736)</u>
Net Capital Assets Being Depreciated	<u>2,148,193</u>	<u>28,806</u>	<u>(4,149)</u>	<u>2,172,850</u>
Governmental Activities				
Capital Assets, net of depreciation	<u>\$ 3,368,015</u>	<u>\$ 62,921</u>	<u>\$ (13,791)</u>	<u>\$ 3,417,145</u>
<b>Business- Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 19,860	\$ _____	\$ _____	\$ 19,860
Capital Assets Being Depreciated				
Sewage System	2,746,840			2,746,840
Accumulated depreciation for:				
Sewage System	<u>(553,948)</u>	<u>(54,937)</u>	_____	<u>(608,885)</u>
Net Capital Assets Being Depreciated	<u>2,192,892</u>	<u>(54,937)</u>	_____	<u>2,137,955</u>
Business-Type Activities				
Capital Assets, net of depreciation	<u>\$ 2,212,752</u>	<u>\$ (54,937)</u>	<u>\$ _____</u>	<u>\$ 2,157,815</u>

Depreciation expense is charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 3,727
Public Safety	45,957
Public Works	12,714
Recreation	24,937

Community/Historical	<u>25,918</u>
Total Governmental Activities	<u>\$ 113,253</u>
Business-Type Activities	
Sewage System	<u>\$ 54,937</u>

#### (5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances and transfers are as follows:

##### Interfund Balances

<u>Receivable</u>	<u>Payable</u>	
Due to/from Other Funds		
General Fund	Housing Grants Fund	<u>\$ 195</u>
Advances to/from Other Funds		
General Fund	W-K Sewage Fund	<u>\$ 12,700</u>

##### Interfund Transfers

	<u>Transfers Out</u>	
	<u>Primary Government</u>	<u>Component</u>
	<u>General</u>	<u>Unit</u>
	<u>Fund</u>	
Transfers In		
General Fund	\$	\$ 4,200
Calumet Armory		
Community Center Fund	<u>11,587</u>	<u>          </u>
	<u>\$ 11,587</u>	<u>\$ 4,200</u>

#### (6) LOAN RECEIVABLE/PAYABLE

Pursuant to a grant agreement with the State of Michigan's Department of Commerce, the Township received a grant of \$350,000 which was loaned to a private company during 1989 resulting in a General Fund loan receivable. The agreement called for the Township to submit the \$350,000 back to the State contingent upon the payback of the loan by the private company resulting in a General Fund amount due to other governments. The company has not paid any portion of this loan back to the Township and is delinquent on the whole amount. Collection of this loan is uncertain.

## (7) LONG-TERM DEBT

General obligation bonds, contractual agreements, loans and installment purchase agreements are direct obligations and are backed by the full faith and credit of the Township. Revenue bonds typically involve a pledge of specific income derived from the acquired or constructed assets to pay for debt service.

During 2004, the Township issued \$610,000 of current revenue refunding bonds for the purpose of redeeming the outstanding Water Supply System Revenue Bonds Series 1993B. The reacquisition price exceeded the net carrying amount of the refunded debt by \$45,000. This amount is being amortized over the remaining life of the new debt and is netted against the refunding debt. This refunding was undertaken to reduce total debt service payments over the next eleven years by \$100,958 and resulted in an economic gain of \$85,943.

Also during 2004, the State of Michigan provided the Township with a 100% job creation earn out with respect to a grant/loan project with an outstanding loan totaling \$37,220 resulting in debt forgiveness of the same amount. This amount is reported as an extraordinary item in the government-wide statement of activities.

Long-term debt activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Loans						
Bank-Warehouse #2	6 %	Current	\$ 4,878	\$ (4,878)	\$	\$
MI Econ Dev Corp-Ren Zone	5	Current	38,159	(38,159)		
Rural Dev.-Fire Truck	4.625	10-1-2017	114,353	(28,500)	85,853	10,000
Installment Purchase Agreement						
Bank- Groomer	5.35	12-1-2011	67,017	(8,584)	58,433	8,583
Revenue Bonds						
1993B Fire Water Bonds	8.75	Current	545,000	(545,000)		
2004 Refunding Bonds	3.46	11-1-2015		610,000		
				(42,500)	567,500	46,500
Subtotal			769,407	(57,621)	711,786	65,083
Less Deferred Refunding, net of Amortization				(45,000) 2,645	(42,355)	
Total Governmental Activities			\$ 769,407	\$ (99,976)	\$ 669,431	\$ 65,083
<b>Business-Type Activities</b>						
Revenue Bonds						
1991 Sewage Bonds	5.875%	11-1-2031	\$ 126,000	\$ (2,000)	\$ 124,000	\$ 2,000
<b>Component Unit</b>						
Bonds						
1996 DDA Bonds	5.4 %	10-1-2011	\$ 130,000	\$ (15,000)	\$ 115,000	\$ 15,000
1997 DDA Bonds	4.95	4-1-2012	47,000	(4,000)	43,000	4,000
2000 DDA Bonds	6.25	4-1-2010	42,000	(5,000)	37,000	5,000

Total Component Unit	<u>\$ 219,000</u>	<u>\$ (24,000)</u>	<u>\$ 195,000</u>	<u>\$ 24,000</u>
----------------------	-------------------	--------------------	-------------------	------------------

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 65,083	\$ 26,760	\$ 2,000	\$ 7,285	\$ 24,000	\$ 11,007
2006	65,083	24,792	2,000	7,168	25,000	9,638
2007	65,083	22,662	2,000	7,050	26,000	8,195
2008	68,583	20,438	2,000	6,933	26,000	6,708
2009	63,583	17,966	3,000	6,756	28,000	5,145
2010-2014	311,871	52,889	15,000	31,138	66,000	5,460
2015-2019	72,500	3,045	18,000	26,381		
2020-2024			27,000	19,505		
2025-2029			36,000	10,105		
2030-2031			17,000	764		
Totals	<u>\$ 711,786</u>	<u>\$ 168,552</u>	<u>\$ 124,000</u>	<u>\$ 123,085</u>	<u>\$ 195,000</u>	<u>\$ 46,153</u>

## (8) EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township provides pension benefits to all eligible employees through a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Under the plan an eligible employee is an elected official. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit. The Township contributes 8 % of annual compensation with a minimum of \$300. Eligible employees can voluntarily contribute from 1% up to 92% of their compensation.

The Township's total payroll during the current year was \$167,593. The current year contribution was calculated based on covered payroll of \$85,090, resulting in an employer contribution of \$7,357. There were no voluntary employee contributions for 2004.

## (9) RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance through the Michigan



Township's Participating Plan for various claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**(10) SUBSEQUENT EVENTS**

As of April 1, 2005 the Township received a \$100,000 Community Development Block Grant award on a \$200,000 Calumet Armory Community Center rehabilitation project. The local match of \$100,000 will come from a U.S. Department of Agriculture Rural Development grant of \$25,000 and loan of \$75,000.

**(11) COMMITMENTS AND CONTINGENCIES**

As of December 31, 2004 the Township had a commitment for the purchase of a Case loader for \$19,500 which was placed into service in 2005 after modifications were made.

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amount, if any, to be immaterial.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 117,691	\$ 117,691	\$ 117,691	\$
Resources (Inflows)				
Taxes	92,200	87,000	92,310	5,310
License & permits	1,500	1,500	1,104	(396)
Federal aid		3,250	3,250	
State aid	302,400	280,000	272,948	(7,052)
Charges for services	47,000	85,000	44,109	(40,891)
Interest and rents	12,500	15,000	13,568	(1,432)
Other revenue	5,000	585,000	175,043	(409,957)
Transfers from other funds	<u>17,400</u>	<u>5,400</u>	<u>4,200</u>	<u>(1,200)</u>
Amounts Available for Appropriation	<u>595,691</u>	<u>1,179,841</u>	<u>724,223</u>	<u>(455,618)</u>
Charges to Appropriation (Outflows)				
Legislative	21,000	25,000	24,256	744
General Government	127,500	126,500	125,569	931
Public Safety	72,000	77,000	72,918	4,082
Public Works	78,500	85,550	90,523	(4,973)
Recreation	23,500	83,500	26,609	56,891
Community/Historical	7,500	11,500	11,627	(127)
Other	105,000	100,000	99,372	628
Capital outlay	18,000	535,000	148,266	386,734
Debt service	25,000	18,100	18,013	87
Transfers to other funds			<u>11,587</u>	<u>(11,587)</u>
Total Charges to Appropriations	<u>478,000</u>	<u>1,062,150</u>	<u>628,740</u>	<u>433,410</u>
Budgetary Fund Balance – December 31, 2004	<u>\$ 117,691</u>	<u>\$ 117,691</u>	<u>\$ 95,483</u>	<u>\$ (22,208)</u>

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Combining Balance Sheet Non-Major Governmental Funds December 31, 2004

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire	Water	Keweenaw Heritage Center	Grants	
<b>ASSETS</b>					
Cash	\$ 7,775	\$ 77,992	\$ 55,540	\$	\$ 141,307
Receivables (net):					
Taxes	44,994				44,994
Accounts	<u>11</u>	<u>22,803</u>	<u>530</u>		<u>23,344</u>
Total assets	<u>\$ 52,780</u>	<u>\$ 100,795</u>	<u>\$ 56,070</u>	<u>\$</u>	<u>\$ 209,645</u>
<b>LIABILITIES</b>					
Accounts payable	\$	\$ 1,933	\$ 653	\$	\$ 2,586
Deferred revenue	<u>48,481</u>				<u>48,481</u>
Total liabilities	<u>48,481</u>	<u>1,933</u>	<u>653</u>		<u>51,067</u>
<b>FUND BALANCES</b>					
Reserved for debt service		5,514			5,514
Unreserved	<u>4,299</u>	<u>93,348</u>	<u>55,417</u>		<u>153,064</u>
Total fund balances	<u>4,299</u>	<u>98,862</u>	<u>55,417</u>		<u>158,578</u>
Total liabilities and fund balances	<u>\$ 52,780</u>	<u>\$ 100,795</u>	<u>\$ 56,070</u>	<u>\$</u>	<u>\$ 209,645</u>

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire	Water	Keweenaw Heritage Center	Grants	
<b>Revenues</b>					
Taxes	\$ 41,764	\$	\$	\$	\$ 41,764
Charges for services		77,809			77,809
Interest and rents	124	486	1,316		1,926
Other:					
Private grants			591	500	1,091
Donations			21,748		21,748
Total revenues	<u>41,888</u>	<u>78,295</u>	<u>23,655</u>	<u>500</u>	<u>144,338</u>
<b>Expenditures</b>					
General government		8,509	3,811		12,320
Public safety	800				800
Community/Historical			4,618	500	5,118
Debt service	<u>33,615</u>	<u>74,027</u>			<u>107,642</u>
Total expenditures	<u>34,415</u>	<u>82,536</u>	<u>8,429</u>	<u>500</u>	<u>125,880</u>
Excess of revenues over (under) expenditures	<u>7,473</u>	<u>(4,241)</u>	<u>15,226</u>		<u>18,458</u>
Other financing sources (uses)					
Proceeds- refunding bonds		610,000			610,000
Current bond refunding		(590,000)			(590,000)
Current bond refunding interest		(1,097)			(1,097)
Bond premium & issue costs		<u>(14,886)</u>			<u>(14,886)</u>
Total other financing sources (uses)		<u>4,017</u>			<u>4,017</u>
<b>Net Change in Fund Balances</b>	<u>7,473</u>	<u>(224)</u>	<u>15,226</u>		<u>22,475</u>
Fund Balances – Beginning of Year	<u>(3,174)</u>	<u>99,086</u>	<u>40,191</u>		<u>136,103</u>
<b>Fund Balances - End of Year</b>	<u>\$ 4,299</u>	<u>\$ 98,862</u>	<u>\$ 55,417</u>	<u>\$</u>	<u>\$ 158,578</u>

## CHARTER TOWNSHIP OF CALUMET, MICHIGAN

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members  
Charter Township of Calumet, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued my report thereon dated June 30, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Calumet, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Charter Township of Calumet, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness. I also noted other matters involving the

internal control over financial reporting that I have reported to management of the Charter Township of Calumet, Michigan, in a separate letter dated June 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Calumet, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance, which I have reported to management of the Charter Township of Calumet, Michigan in a separate letter dated June 30, 2005.

This report is intended solely for the information and use of the board membership, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Paul R. Sturos, CPA  
Calumet, Michigan  
June 30, 2005

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year ended December 31, 2004

Finding 03-2 Department of Housing and Urban Development - Community Development  
Block Grants/State's Program, CFDA No. 14.228

Condition: This finding was a reportable condition stating an absence of appropriate segregation of duties due to a limited number of available personnel.

Recommendation: The auditor recommended that, due to the unlikely event that the Township would hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Current Status: Additional personnel have not been hired. However the Township Board has provided oversight and independent review functions.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**SCHEDULE OF FINDINGS AND RESPONSES**

Year ended December 31, 2004

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**04-1 Internal Control Design**

Condition: An absence of appropriate segregation of duties due to a limited number of available personnel.

Criteria: If an adequate number of personnel were available, a proper segregation of duties would provide reasonable assurance that no one employee would have access to both physical assets and the related accounting records, or to all phases of transactions.

Effect: Because of the absence of an appropriate segregation of duties, the possibility still exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Recommendation: It is not likely that the Township will hire additional personnel in order to obtain a proper segregation of duties, therefore the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Response: We concur with the recommendation.



**PAUL R. STUROS**

*Certified Public Accountant*

56901 S. Sixth Street, Suite 8  
Calumet, MI 49913

Tel. (906) 337-4727 ~ Fax (906) 337-4725

E-mail: [psturos@sbcglobal.net](mailto:psturos@sbcglobal.net)

---

June 30, 2005

**Board Members**

Charter Township of Calumet, Michigan 49913

In planning and performing my audit of the financial statements of the Charter Township of Calumet, Michigan, for the year ended December 31, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide my assurance on the internal control. I noted certain matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented to assist in improving accounting procedures and controls.

**Internal Control**

1. The size of the Township's administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions. As part of this process I recommend that the Board establish a conflict of interest policy.
2. At certain times, amounts collected from property taxes are held overnight in the Township's safe. I recommend that collections be timely deposited intact at the bank on a daily basis, especially during peak tax collection periods.

**Compliance**

3. Actual activity level expenditures exceeded amounts authorized in the final amended budgets in the Township's General and Keweenaw Heritage Center Funds and are as follows:

<u>Fund/Activity</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
General Fund			
Public works	\$ 85,550	\$ 90,523	\$ (4,973)
Community/historical	11,500	11,627	(127)

Transfers out		11,587	(11,587)
Special Revenue Funds			
Keweenaw Heritage Center Fund			
Community/historical	4,000	4,618	(618)

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. It is recommended that the Township Board fully comply with all provisions of the Act.

4. During 2004, the Township established the Calumet Armory Community Center Fund (a special revenue fund) however, a budget was not adopted. P.A. 621 of 1978 requires that the appropriations act be amended to authorize expenditures of newly created special revenue funds.
5. An unrestricted fund balance deficit occurred in the Calumet Armory Community Center Fund in the amount of \$3,785. State law requires the filing of a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition that existed at the end of the previous fiscal year. Contact should be made with the Local Audit and Finance Division related to this matter.

This report is intended for the information and use of the Board membership and applicable Federal and State agencies. I will be pleased to discuss any of the comments with you at your convenience.

Sincerely,



Paul R. Sturos, CPA